

TRUE FRIENDS
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016

**TRUE FRIENDS
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
True Friends
Annandale, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statement of True Friends and its supporting organizations, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

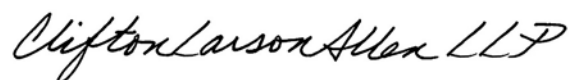
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of True Friends and supporting organizations as of December 31, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating financial statements as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

St. Cloud, Minnesota
May 23, 2018

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 222,006	\$ 889,797
Accounts Receivable, Less Allowance for Doubtful Accounts of \$34,500 and \$41,600, Respectively	261,304	225,848
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$15,500 and \$12,100, Respectively	167,209	109,360
Prepaid Expenses and Other Current Assets	201,283	166,947
Total Current Assets	851,802	1,391,952
 PROPERTY AND EQUIPMENT		
Less Accumulated Depreciation of \$6,232,537 and \$5,881,732, Respectively	10,965,354	10,064,408
 OTHER ASSETS		
Long-Term Investments	10,225,612	9,661,016
Cash Restricted for Purchase of Buildings and Equipment	91,193	663,309
Long-Term Promises to Give, Net of Current Portion	138,112	41,710
Beneficial Interests in Perpetual Trusts and Other Funds	2,025,040	1,759,611
Cash Value of Life Insurance	-	37,904
Total Other Assets	12,479,957	12,163,550
Total Assets	\$ 24,297,113	\$ 23,619,910

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2017 AND 2016

	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of Credit	\$ 150,000	\$ -
Current Portion of Long-Term Debt	96,967	72,436
Accounts Payable	202,301	336,637
Deferred Revenue	407,629	450,905
Accrued Expenses	316,479	260,467
Total Current Liabilities	1,173,376	1,120,445
LONG-TERM DEBT , Net of Current Portion	1,646,489	1,643,704
Total Liabilities	2,819,865	2,764,149
NET ASSETS		
Unrestricted:		
Investment in Land, Building, and Equipment	10,851,679	10,043,179
Designated by the Board for Endowment	4,183,018	3,914,002
Undesignated	(717,841)	(10,610)
Total Unrestricted	14,316,856	13,946,571
Temporarily Restricted	1,648,804	1,765,097
Permanently Restricted	5,511,588	5,144,093
Total Net Assets	21,477,248	20,855,761
Total Liabilities and Net Assets	\$ 24,297,113	\$ 23,619,910

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT				
Contributions	\$ 1,448,257	\$ 422,956	\$ 185,481	\$ 2,056,694
In-Kind Contributions	187,924	-	-	187,924
Fundraising Events	552,408	-	-	552,408
Direct Costs of Fundraising Events	(65,583)	-	-	(65,583)
Total Public Support	<u>2,123,006</u>	<u>422,956</u>	<u>185,481</u>	<u>2,731,443</u>
REVENUE				
Service Fees	5,380,054	-	-	5,380,054
Canteen and Gift Shop	67,341	-	-	67,341
Investment Income	645,727	382,567	-	1,028,294
Change in Value of Trusts and Future Interest Gift	-	-	182,014	182,014
Miscellaneous	56,627	-	-	56,627
Gains on Disposal of Property and Equipment	45,062	-	-	45,062
Total Revenue	<u>6,194,811</u>	<u>382,567</u>	<u>182,014</u>	<u>6,759,392</u>
 Total Support and Revenue	 8,317,817	 805,523	 367,495	 9,490,835
 Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	807,695	(807,695)	-	-
Time Restrictions	114,121	(114,121)	-	-
Total Net Assets Released from Restrictions	<u>921,816</u>	<u>(921,816)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program Services:				
Residential Camp	3,297,635	-	-	3,297,635
Education and Training Services	1,505,871	-	-	1,505,871
Ventures Travel	1,190,168	-	-	1,190,168
Respite and Family Services	823,889	-	-	823,889
TRUE Strides	692,121	-	-	692,121
Total Program Services	<u>7,509,684</u>	<u>-</u>	<u>-</u>	<u>7,509,684</u>
Support Services:				
Fundraising	1,224,091	-	-	1,224,091
Management and General	135,573	-	-	135,573
Total Supporting Services	<u>1,359,664</u>	<u>-</u>	<u>-</u>	<u>1,359,664</u>
 Total Expenses	 <u>8,869,348</u>	 <u>-</u>	 <u>-</u>	 <u>8,869,348</u>
CHANGE IN NET ASSETS	370,285	(116,293)	367,495	621,487
Net Assets - Beginning of Year	<u>13,946,571</u>	<u>1,765,097</u>	<u>5,144,093</u>	<u>20,855,761</u>
NET ASSETS - END OF YEAR	<u>\$ 14,316,856</u>	<u>\$ 1,648,804</u>	<u>\$ 5,511,588</u>	<u>\$ 21,477,248</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
PUBLIC SUPPORT				
Contributions	\$ 1,529,299	\$ 737,428	\$ 443,258	\$ 2,709,985
In-Kind Contributions	122,769	-	-	122,769
Fundraising Events	259,341	-	-	259,341
Direct Costs of Fundraising Events	(62,165)	-	-	(62,165)
Total Public Support	<u>1,849,244</u>	<u>737,428</u>	<u>443,258</u>	<u>3,029,930</u>
REVENUE				
Service Fees	5,028,400	-	-	5,028,400
Canteen and Gift Shop	57,019	-	-	57,019
Investment Income	352,652	141,950	-	494,602
Change in Value of Trusts and Future Interest Gift	-	-	(1,195,530)	(1,195,530)
Miscellaneous	27,968	-	-	27,968
Gains on Disposal of Property and Equipment	317,477	-	-	317,477
Total Revenue	<u>5,783,516</u>	<u>141,950</u>	<u>(1,195,530)</u>	<u>4,729,936</u>
Total Support and Revenue	7,632,760	879,378	(752,272)	7,759,866
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	598,782	(598,782)	-	-
Time Restrictions	341,374	(341,374)	-	-
Total Net Assets Released from Restrictions	940,156	(940,156)	-	-
EXPENSES				
Program Services:				
Residential Camp	3,721,458	-	-	3,721,458
Education and Training Services	1,258,429	-	-	1,258,429
Ventures Travel	1,205,810	-	-	1,205,810
Respite and Family Services	860,803	-	-	860,803
TRUE Strides	483,976	-	-	483,976
Total Program Services	<u>7,530,476</u>	<u>-</u>	<u>-</u>	<u>7,530,476</u>
Support Services:				
Fundraising	786,758	-	-	786,758
Management and General	329,922	-	-	329,922
Total Supporting Services	<u>1,116,680</u>	<u>-</u>	<u>-</u>	<u>1,116,680</u>
Total Expenses	<u>8,647,156</u>	<u>-</u>	<u>-</u>	<u>8,647,156</u>
CHANGE IN NET ASSETS	(74,240)	(60,778)	(752,272)	(887,290)
Net Assets - Beginning of Year (As Previously Stated)	17,304,036	955,885	3,483,130	21,743,051
Prior Period Restatement	(3,283,225)	869,990	2,413,235	-
Net Assets - Beginning of Year (As Restated)	<u>14,020,811</u>	<u>1,825,875</u>	<u>5,896,365</u>	<u>21,743,051</u>
NET ASSETS - END OF YEAR	<u>\$ 13,946,571</u>	<u>\$ 1,765,097</u>	<u>\$ 5,144,093</u>	<u>\$ 20,855,761</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services					Support Services				Total
	Residential Camp	Education and Training Services	Ventures Travel	Respite and Family Services	TRUE Strides	Total Program Services	Fundraising	Management and General	Total Support Services	
Salaries	\$ 1,352,382	\$ 691,905	\$ 273,860	\$ 473,234	\$ 406,410	\$ 3,197,791	\$ 659,321	\$ 47,234	\$ 706,555	\$ 3,904,346
Payroll Taxes	99,439	52,026	19,570	35,463	30,629	237,127	46,437	3,488	49,925	287,052
Benefits	112,898	60,234	36,894	23,298	15,148	248,472	57,271	4,269	61,540	310,012
Total Salaries and Related Expenses	1,564,719	804,165	330,324	531,995	452,187	3,683,390	763,029	54,991	818,020	4,501,410
General Program	20,759	-	614,521	3,998	-	639,278	-	-	-	639,278
Insurance	117,556	59,533	51,960	32,861	25,681	287,591	45,862	10,343	56,205	343,796
Contract Services	507,755	104,654	31,675	49,257	54,627	747,968	69,251	15,171	84,422	832,390
Meals and Food	248,537	144,322	-	19,205	377	412,441	-	-	-	412,441
Equipment Rental and Repair	66,247	11,605	29,346	6,405	5,006	118,609	8,940	2,016	10,956	129,565
Supplies and Printing	96,025	30,287	15,014	18,859	26,866	187,051	34,482	4,853	39,335	226,386
Building Repair and Maintenance	52,005	19,816	13,796	11,562	8,358	105,537	16,200	3,208	19,408	124,945
Utilities	100,507	50,899	18,464	28,095	21,957	219,922	39,211	8,843	48,054	267,976
Professional Services	183,494	86,410	25,532	40,241	29,836	365,513	99,119	11,940	111,059	476,572
Promotion	30,488	17,624	5,601	9,142	6,765	69,620	11,910	2,683	14,593	84,213
Interest	22,390	11,339	4,113	6,259	4,891	48,992	8,735	1,970	10,705	59,697
Telephone	15,021	8,226	4,282	4,625	3,292	35,446	6,278	1,229	7,507	42,953
Postage	13,348	3,342	2,278	2,455	1,351	22,774	10,094	544	10,638	33,412
Staff Development and Recognition	45,104	10,824	3,182	5,409	8,530	73,049	10,804	1,276	12,080	85,129
Bad Debts	7,563	3,380	3,950	-	167	15,060	14,920	-	14,920	29,980
Canteen	-	39,927	-	-	-	39,927	-	-	-	39,927
Dues, Subscriptions, Licenses, and Fees	9,948	5,252	1,162	1,581	1,585	19,528	7,057	464	7,521	27,049
Travel Expenses	17,982	4,507	2,408	2,357	1,924	29,178	9,052	449	9,501	38,679
Miscellaneous	1,211	135	49	113	59	1,567	104	22	126	1,693
Total Expenses before Depreciation	3,120,659	1,416,247	1,157,657	774,419	653,459	7,122,441	1,155,048	120,002	1,275,050	8,397,491
Depreciation	176,976	89,624	32,511	49,470	38,662	387,243	69,043	15,571	84,614	471,857
Total Expenses	<u>\$ 3,297,635</u>	<u>\$ 1,505,871</u>	<u>\$ 1,190,168</u>	<u>\$ 823,889</u>	<u>\$ 692,121</u>	<u>\$ 7,509,684</u>	<u>\$ 1,224,091</u>	<u>\$ 135,573</u>	<u>\$ 1,359,664</u>	<u>\$ 8,869,348</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	Program Services					Support Services				Total
	Residential Camp	Education and Training Services	Ventures Travel	Respite and Family Services	TRUE Strides	Total Program Services	Fundraising	Management and General	Total Support Services	
Salaries	\$ 1,554,278	\$ 601,452	\$ 295,111	\$ 536,281	\$ 287,114	\$ 3,274,236	\$ 418,163	\$ 184,585	\$ 602,748	\$ 3,876,984
Payroll Taxes	113,644	43,887	21,259	39,342	21,370	239,502	28,890	13,219	42,109	281,611
Benefits	118,261	36,436	28,306	32,419	7,559	222,981	34,671	17,229	51,900	274,881
Total Salaries and Related Expenses	1,786,183	681,775	344,676	608,042	316,043	3,736,719	481,724	215,033	696,757	4,433,476
General Program	20,087	158	565,982	231	-	586,458	-	-	-	586,458
Insurance	116,329	56,929	70,210	40,663	17,137	301,268	6,535	12,344	18,879	320,147
Contract Services	540,557	50,930	41,946	28,487	31,894	693,814	26,061	12,584	38,645	732,459
Meals and Food	242,064	149,026	-	14,495	-	405,585	-	-	-	405,585
Equipment Rental and Repair	63,582	5,825	36,913	2,648	2,648	111,616	1,515	1,059	2,574	114,190
Supplies and Printing	133,372	26,632	15,727	16,826	29,035	221,592	27,285	3,280	30,565	252,157
Building Repair and Maintenance	73,449	11,065	9,575	12,863	4,820	111,772	1,867	2,670	4,537	116,309
Utilities	116,261	50,548	12,637	32,856	15,164	227,466	12,637	12,637	25,274	252,740
Professional Services	265,961	81,680	24,494	35,341	33,426	440,902	109,580	47,412	156,992	597,894
Promotion	34,003	4,164	21,030	2,766	1,149	63,112	33,082	-	33,082	96,194
Interest	9,989	7,269	5,451	6,814	2,271	31,794	2,271	1,363	3,634	35,428
Telephone	8,878	11,282	12,199	4,694	1,835	38,888	2,670	1,197	3,867	42,755
Postage	18,839	1,698	5,168	1,457	759	27,921	8,453	883	9,336	37,257
Staff Development and Recognition	47,116	3,442	1,491	4,614	1,611	58,274	10,956	724	11,680	69,954
Bad Debts	17,390	2,498	3,957	1,873	-	25,718	3,401	-	3,401	29,119
Canteen	-	37,734	-	-	-	37,734	-	-	-	37,734
Dues, Subscriptions, Licenses, and Fees	23,123	6,593	1,926	1,657	1,271	34,570	2,368	1,131	3,499	38,069
Travel Expenses	22,324	845	4,900	3,184	896	32,149	8,966	4,285	13,251	45,400
Miscellaneous	191	-	-	-	-	191	-	-	-	191
Total Expenses before Depreciation	3,539,698	1,190,093	1,178,282	819,511	459,959	7,187,543	739,371	316,602	1,055,973	8,243,516
Depreciation	181,760	68,336	27,528	41,292	24,017	342,933	47,387	13,320	60,707	403,640
Total Expenses	<u>\$ 3,721,458</u>	<u>\$ 1,258,429</u>	<u>\$ 1,205,810</u>	<u>\$ 860,803</u>	<u>\$ 483,976</u>	<u>\$ 7,530,476</u>	<u>\$ 786,758</u>	<u>\$ 329,922</u>	<u>\$ 1,116,680</u>	<u>\$ 8,647,156</u>

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 621,487	\$ (887,290)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	471,857	403,640
Amortization of Discount on Unconditional Promises to Give		
Receivable	(6,013)	14,950
Gain on Disposal of Assets	(45,062)	(317,477)
Realized and Unrealized Gain on Investments	(711,692)	(246,430)
Change in Value of Trusts	(182,014)	1,195,530
Contributions of Buildings and Equipment	(36,213)	(20,228)
Contributions Restricted for Long-Term Purposes	(484,941)	(1,243,616)
(Increase) Decrease in Operating Assets:		
Accounts Receivable	(35,456)	207,750
Promises to Give	(162,387)	90,101
Prepaid Expenses and Other Current Assets	(34,336)	(22,924)
Cash Value of Life Insurance	37,904	932
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(134,336)	(48,395)
Deferred Revenue	(43,276)	(26,075)
Accrued Expenses	56,012	(1,191)
Net Cash Used by Operating Activities	(688,466)	(900,723)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Land, Building, and Equipment	(1,241,451)	(1,118,951)
Proceeds from Sale of Land, Building, and Equipment	56,919	502,106
Proceed from Future Interest Gifts	-	167,500
Proceeds from Sale of Investments	3,251,370	3,301,705
Purchase of Investments	(3,104,274)	(2,905,053)
Net Change in Cash Restricted for Purchase of Buildings		
and Equipment	572,116	(301,538)
Net Cash Used by Investing Activities	(465,320)	(354,231)

See accompanying Notes to Consolidated Financial Statements.

TRUE FRIENDS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Long-Term Debt	\$ -	\$ 1,723,000
Payment of Long-Term Debt	(79,680)	(738,944)
Proceeds from Line of Credit	150,000	-
Payment of Line of Credit	-	(225,000)
Collection of Contributions Restricted for Capital Campaign and Buildings	321,554	1,007,708
Collection of Contributions Restricted for Endowment	94,121	173,874
Net Cash Provided by Financing Activities	485,995	1,940,638
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(667,791)	685,684
Cash and Cash Equivalents - Beginning of Year	889,797	204,113
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 222,006	\$ 889,797
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 48,992	\$ 31,794
Land, Building, and Equipment Purchases with Long-Term Debt	106,996	-
Land, Building, and Equipment Purchases Included in Accounts Payable	-	163,271
Total	\$ 155,988	\$ 195,065

See accompanying Notes to Consolidated Financial Statements.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

True Friends (the Organization) is a Minnesota nonprofit corporation that enhances the quality of life for people with disabilities, their families, and other caregivers, by providing services that educate and support individuals in achieving their highest level of self-worth, independence, and participation in the community. The Organization's programs are supported primarily by contributions and service fees.

The True Friends Foundation, through the earnings from its endowment fund, provides financial support that ensures future funding for the Organization.

Ventures Travel, LLC is a limited liability company wholly owned by the Organization. Ventures Travel, LLC is organized and operated exclusively for charitable and educational purposes, and is a disregarded entity for tax purposes.

Contributions and revenue are primarily derived from individuals and organizations located in and around Minnesota. This results in a concentration of risk for these activities as well as accounts and promises to give receivable.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted Net Assets – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted Net Assets – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The Organization uses the income earned, including capital appreciation on related investments, for the purpose restricted by the donor.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same fiscal year, within the unrestricted net asset class.

Principles of Consolidation

The consolidated financial statements as of and for the years ended December 31, 2017 and 2016 include the accounts of True Friends, True Friends Foundation, and Ventures Travel, LLC. The consolidated organizations are herein referred to as the Organization. All significant intercompany accounts and transactions have been eliminated.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Programs

The programs through which the Organization provides its services are as follows:

Residential Camp

Program provides opportunities for people with and without disabilities to enjoy the benefit from year-round, outdoor recreational, and leisure activities located at Camp Friendship, Camp Eden Wood, Camp Courage and Camp Courage North. Traditional camp and resort activities and specialty programs help teach new skills, build confidence, improve self-esteem, and promote understanding, acceptance, and appreciation for diversity in human beings. Day camp and winter camp programs are also available.

Education and Training Services

Program provides experiential learning and environmental education services for schools, youth at risk, and other nonprofit groups and transitional employment and work-related training for people with and without disabilities. High and low ropes courses, zip lines, and climbing towers are utilized to build confidence and develop team dynamics.

Ventures Travel

Program offers a variety of small group vacation experiences on a year-round basis. Vacationers cooperatively plan the details of their trip assisted by specially trained travel guides. Both domestic and international trips use public recreation and community facilities.

Respite and Family Services

Program provides a break from the daily demands of caring for a child or adult with special needs through the weekend respite care program. This program offers children and adults a home-like setting to relax and re-energize.

TRUE Strides

Program provides hippo therapy, therapeutic riding, and horsemanship experiences for individuals with disabilities both young and adult. The riding therapy takes place at Camp Courage. TRUE Strides provides opportunities for individuals of all abilities to experience exceptional equine-assisted activities by facilitating the Horsing Around camp programs and special respite programming.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization recognizes contributions as revenue when they are received or unconditionally pledged.

Support that is temporarily restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Service fees are recorded as income when the service is provided. Cash payments received from clients prior to the provision of services are classified as deferred revenue in the liability section of the consolidated statements of financial position until such services have been provided.

Cash and Cash Equivalents

The Organization considers cash in demand deposit accounts and temporary investments purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with high credit quality financial institutions. From time-to-time, the Organization's balances in its bank accounts exceed Federal Deposit Insurance Corporation limits. The Organization periodically evaluates the risk of exceeding insurance levels and may transfer funds as it deems appropriate. The Organization has not experienced any losses with regard to balances in excess of insured limits or as a result of other concentrations of credit risk. Money market and cash funds, held as a portion of the Organization's investment portfolio, are classified as investments and are not considered to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Management provides for probable uncollectible amounts through a provision for bad debt expense based on its assessment of the current status of individual accounts, third-party contracts, and other circumstances, which may affect the ability of clients to meet their obligations. Balances that are still outstanding after management has used reasonable collection efforts are written off at that time. An allowance for bad debts of \$34,500 and \$41,600 was recorded as of December 31, 2017 and 2016, respectively.

Credit risk for accounts receivable is concentrated because substantially all of the balances are receivable from individuals located within the same geographic region.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Promises to give represent amounts committed by donors that have not been received by the Organization. The Organization uses the allowance method to determine uncollectible promises to give (receivable).

Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received. Promises to give receivable in more than one year are discounted at 3%.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 9 for discussion of fair value measurements.

Investment earnings available for distribution are recorded in unrestricted net assets on the statements of financial position. Unrealized losses on the Organization's general endowment and memorial scholarships endowment investments reduce temporarily restricted net assets to the extent that restrictions on previously recorded appreciation have not been met before the loss occurs. Remaining losses and those pertaining to the Organization's other investments reduce unrestricted net assets.

Purchases and sales of investments are reflected on a trade-date basis. Realized gains or losses on sales of investments are based on the cost of specifically identified investments. Changes in unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend dates.

The Organization receives contributions of equity securities from donors on occasion. It is the policy of the Organization to sell these equity securities as soon as reasonably possible.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Perpetual Trusts and Other Funds

The Organization is the beneficiary of perpetual irrevocable trusts held and administered by independent trustees and other funds held by area foundations. Under the terms of the trusts and fund agreements, the Organization has the irrevocable right to receive its proportionate share of the income earned on trust or fund assets in perpetuity. The fair value of the beneficial interest in a trust or fund is recognized as an asset and as a permanently restricted contribution at the date the trust or fund is established. The Organization's estimate of fair value at each reporting date is based on fair value information received from trustees and foundations. Trust and fund assets consist of, but are not limited to, cash and cash equivalents, corporate and government bonds, mutual funds, unitized funds, and equity securities. These assets are not subject to control or direction by the Organization. Gains and losses, which are not distributed by the trusts and foundations, are reflected as the change in value of trusts and funds in the statements of activities.

The Organization is the beneficiary of a future interest gift in nonperpetual trusts held and administered by independent trustees. Under the terms of the trusts, the Organization has the irrevocable right to receive a portion of the assets and accumulated income earned on trust assets upon termination of the trust as specified in the trust document. The Organization estimates the fair value of the future interest gift using the fair value of the assets held in the trust, estimates of investment return, discount rate for the obligation upon termination of the trust, and published life expectancy tables as inputs into the fair value measurement.

Property and Equipment

Property and equipment are recorded at cost, or in the case of contributed property at the fair market value at the date of contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Expenditures for renewals and improvements are capitalized while the cost of maintenance and repairs is charged to expense as incurred. It is the Organization's policy to capitalize property and equipment that has a cost equal to or greater than \$3,000. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected in income for the period.

Depreciation is computed using the straight-line method over estimated useful lives of three to 39 years. For the years ended December 31, 2017 and 2016, depreciation expense was \$471,857 and \$403,640, respectively.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted future net cash flows expected to be generated by the assets. If these assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The Organization has determined that no impairment existed at December 31, 2017 and 2016.

Fair Value Measurements

FASB ASC 820 establishes a three-level valuation hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Valuations that include quoted prices for similar assets and liabilities in active markets and valuations that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Valuations based on inputs that are unobservable for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The availability of observable inputs can vary by types of assets and liabilities and is affected by a wide variety of factors, including, for example, whether the asset or liability is established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less than observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for assets and liabilities categorized in Level 3.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Subsequent to initial recognition, the Organization may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis.

Functional Allocation of Expenses

The costs of providing various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated based on the best estimates of management.

Donated Services, Materials, and Equipment

Contributions of donated noncash assets are recorded as in-kind contributions at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Advertising

The Organization expenses all advertising as incurred. Advertising expense was \$84,213 and \$96,194 for 2017 and 2016, respectively.

Income Tax

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state income tax laws. The Organization is a nonprivate foundation and contributions to the Organization qualify as a charitable tax deduction by the contributor. Should that status be challenged in the future, all years since inception would be subject to review of the Internal Revenue Service (IRS).

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax (Continued)

Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the years ended December 31, 2017 and 2016.

The Organization has income from certain activities not directly related to its tax-exempt purpose that is subject to taxation by the federal government. No tax liability exists for 2017 or 2016 since taxable income is offset by deductible expenses.

True Friends Foundation files its own IRS form 990 and related state return.

Ventures Travel, LLC's income or loss is required to be reported by the Organization on its federal tax return.

Subsequent Events

Subsequent events have been evaluated through May 23, 2018 which is the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Equity Funds	\$ 3,457,440	\$ 2,417,988
Fixed Income Funds	195,708	884,835
Common Stock	2,960,153	3,977,721
Government Agency Securities	1,740,492	1,602,481
Corporate Bonds	1,623,620	515,115
Money Market	223,210	262,876
Funds Held by Others	24,989	-
Total Investments	<u>\$ 10,225,612</u>	<u>\$ 9,661,016</u>

Investment income for the years ended December 31, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Interest and Dividend Income	\$ 316,602	\$ 248,172
Net Realized and Unrealized Gains	711,692	246,430
Total Investment Income	<u>\$ 1,028,294</u>	<u>\$ 494,602</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 2 INVESTMENTS (CONTINUED)

During 2017, True Friends created the True Friends Endowment Fund account at Community Giving. The Organization's agreement with the Foundation requires that the income on the fund be available for distribution to True Friends at True Friends' request.

The agreement states that Community Giving shall hold the principal of the Fund as a permanent endowment and shall pay out of the Fund's net income such amounts in furtherance of the purpose of the Fund as Community Giving may in its sole discretion determine.

NOTE 3 BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND OTHER FUNDS

The Organization has a beneficial interest in perpetual trusts with the assets held by third parties and other funds held by area foundations. These assets are considered permanently restricted endowment funds. The Organization has no control over the investment of the funds. Distributions are made to the Organization by each trust or fund based on the Organization's proportionate share of the entire fund investment income for the year. Fair value of the endowment funds includes any unrealized gains or losses.

Distributions were approximately \$67,000 and \$81,000 for the years ended December 31, 2017 and 2016, respectively.

The beneficial interest in perpetual trusts noted above was received on November 21, 2012 as part of an alliance agreement with Courage Center and Courage Foundation (collectively referred to as Courage). The result of the agreement was camping and respite programs operated by Courage became programs of the Organization. In order to operate the camp programs, Courage transferred ownership to the Organization of certain real estate and other assets. It had historically been used for conducting Courage camping programs. This included perpetual trusts designated by donors for the support of camp programs. In proximity to the alliance agreement executed with the Organization, Courage was merged into Allina Health Systems (Allina).

Allina contended that the Organization will no longer have the right to distributions from the perpetual trusts after November 19, 2017, and that Allina will then have discretion over the use of the distributions. The trustees of one of the perpetual trusts (valued at \$1,205,715 at December 31, 2015) have petitioned the court to help them determine whether the Organization or Allina is the proper beneficiary. The remaining perpetual trusts continue to distribute funds to the Organization as beneficiary.

The Organization has vigorously defended its rights to receive distributions from the perpetual trusts for the benefit of Camp Courage and Camp Courage North in accordance with donor intent, as long as such camps are operated by the Organization. The Organization filed a complaint against Allina petitioning the court to affirm its right to receive continued distributions from the perpetual trusts.

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 BENEFICIAL INTEREST IN PERPETUAL TRUSTS AND OTHER FUNDS (CONTINUED)

On March 13, 2017, there was a court ruling that determined Courage Kenny Foundation was the beneficiary of the trust instead of the Organization. As such, the entire \$1,205,715 balance was removed from the consolidated statements of financial position as of December 31, 2016.

Value of the Future Interest Gift

The Organization has been named a beneficiary of nonperpetual trusts. All income of the trusts shall accumulate, be added to, and become a part of the principal of the trusts. The trusts allow for the payment of a portion of the trusts to the surviving beneficiaries. Upon the death of the surviving beneficiaries, the trustee will distribute the remaining trust assets and accumulated earnings to the beneficiaries. The trusts are recorded at the estimated fair value based on the present value of estimated future cash receipts from the trusts. In 2017, the Organization estimated the present value of the trusts using an investment return rate (net of fees and expenses) of 6%, and a discount rate at the present value of the expected future cash flows of 4%. The portion of the trusts attributable to the present value of the future benefit to be received by the Organization is recorded in the statements of activities as a temporarily restricted contribution at the time of receipt. An expected rate of return on the investments in the trusts is estimated using historical investment returns for various relevant market indexes for the assumed asset allocation of the nonperpetual trusts. Because the fair value of the trusts is derived from internal estimates of the present value of the Organization's interest in the underlying assets, incorporating market data when available, the amounts ultimately received could differ from the amounts reflected in the historical consolidated financial statements.

The fair value of the beneficial interest in perpetual trusts and other funds is \$2,025,040 and \$1,759,611 at December 31, 2017 and 2016, respectively.

NOTE 4 PROMISES TO GIVE

Promises to give as of December 31, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Promises to Give Receivable before Allowance for Doubtful Collections and Discounts	\$ 328,784	\$ 165,120
Less: Allowance for Doubtful Collections	(15,500)	(12,100)
Less: Unamortized Discount	(7,963)	(1,950)
Net Promises to Give Receivable	<u>\$ 305,321</u>	<u>\$ 151,070</u>
Receivable within One Year	\$ 182,709	\$ 121,460
Receivable in One to Five Years	146,075	43,660
Total Promises to Give Receivable	<u>\$ 328,784</u>	<u>\$ 165,120</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 PROMISES TO GIVE (CONTINUED)

Capital campaign promises to give are restricted for various capital projects. Included in long-term promises to give receivable at December 31, 2017 and 2016 are capital campaign promises to give totaling \$40,000 and \$51,000, respectively.

The Organization received a conditional pledge of \$2,169,710 for improvements and renovations. The gift will be recognized and the condition will be realized when the total renovations and improvements are complete.

At December 31, 2017 and 2016, the Organization has \$141,950 and \$-0- of outstanding pledges receivable with current members of the board of directors, respectively.

NOTE 5 PROPERTY AND EQUIPMENT

Included in building and equipment is the Camp Eden Wood (the Camp). The Camp's building and equipment was recorded as a contribution to the Organization at fair value of \$683,900 at the time of donation in 1995. The Camp is located on land under a long-term lease restricting the use to programs for the disabled. A new lease of the land was entered into in 2014 that extends through 2034 with a 10-year option.

A summary of land, building, and equipment is as follows for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,597,492	\$ 2,597,492
Land Improvements	629,956	582,754
Building and Improvements	12,112,134	10,561,765
Equipment	1,858,309	1,613,695
Construction in Progress	-	590,434
Total	<u>17,197,891</u>	<u>15,946,140</u>
Less: Accumulated Depreciation	<u>(6,232,537)</u>	<u>(5,881,732)</u>
Net Land, Building, and Equipment	<u>\$ 10,965,354</u>	<u>\$ 10,064,408</u>

NOTE 6 DEFERRED REVENUE

Deferred revenue consists of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fees Received in Advance:		
Camper Fees	\$ 96,454	\$ 93,673
Rental Fees	87,548	65,733
Travel Fees	<u>223,627</u>	<u>291,499</u>
Total	<u>\$ 407,629</u>	<u>\$ 450,905</u>

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 7 LINE OF CREDIT

The Organization has a line of credit with a bank. The total amount available is \$500,000 and the line of credit matures June 1, 2018. Interest accrues at an annual rate equal to the Wall Street Journal prime rate (currently 4.50% at December 31, 2017) which a floor of 4.0%. Pledged collateral greater than or equal to 125% of the outstanding balance on the line of credit and on the note payable described in the long-term debt footnote is required. As of December 31, 2017 and 2016, investments consisting of government agency securities and cash accounts totaling \$2,894,683 and \$2,831,835, respectively, collateralized these lending arrangements. The outstanding balance on the line of credit at December 31, 2017 and 2016 is \$150,000 and \$-0-, respectively.

NOTE 8 LONG-TERM DEBT

<u>Description</u>	<u>2017</u>	<u>2016</u>
Note payable, Annandale State Bank, 3.25% interest; monthly principal and interest payments of \$10,000; maturity April 2025 with a balloon payment of approximately \$1,091,000; secured by fixed income securities at 125% of the principal balance, guaranteed by True Friends Foundation	\$ 1,629,781	\$ 1,694,911
Note payable, Wells Fargo, 5.0% interest; monthly principal and interest payments of \$696; maturity November 2019; secured by equipment	14,516	21,229
Note payable, Chrysler Capital, 5.21% interest; monthly principal and interest payments of \$606; maturity April 2020; secured by vehicle	15,987	-
Note payable, Graybar Financial Services, 7.02% interest, monthly principal and interest payments of \$1,720; maturity September 2022; secured by equipment	<u>83,172</u>	<u>-</u>
Total	1,743,456	1,716,140
Less: Current Maturities	<u>96,967</u>	<u>72,436</u>
Total Long-Term Notes Payable	<u>\$ 1,646,489</u>	<u>\$ 1,643,704</u>

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 LONG-TERM DEBT (CONTINUED)

Aggregate maturities under this arrangement are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 96,967
2019	99,659
2020	91,772
2021	93,149
2022	91,811
Thereafter	1,270,098
Total	<u>\$ 1,743,456</u>

NOTE 9 FAIR VALUE MEASUREMENTS

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. For additional information on how the Organization measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following table presents fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 2,960,153	\$ -	\$ -	\$ 2,960,153
Equities	3,457,440	-	-	3,457,440
Mutual Funds	195,708	-	-	195,708
Government Agency Securities	-	1,740,492	-	1,740,492
Corporate Bonds	-	1,623,620	-	1,623,620
Funds held by Others	-	24,989	-	24,989
Money Market	223,210	-	-	223,210
Total Long-Term Investments	<u>6,836,511</u>	<u>3,389,101</u>	-	<u>10,225,612</u>
Beneficial Interest in Perpetual Trusts and other Funds	-	-	2,025,040	2,025,040
Total	<u>\$ 6,836,511</u>	<u>\$ 3,389,101</u>	<u>\$ 2,025,040</u>	<u>\$ 12,250,652</u>

The following table presents fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

<u>December 31, 2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stocks	\$ 3,977,721	\$ -	\$ -	\$ 3,977,721
Equities	2,417,988	-	-	2,417,988
Mutual Funds	884,835	-	-	884,835
Government Agency Securities	-	1,602,481	-	1,602,481
Corporate Bonds	-	515,115	-	515,115
Total Long-Term Investments	<u>7,280,544</u>	<u>2,117,596</u>	-	<u>9,398,140</u>
Beneficial Interest in Perpetual Trusts and other Funds	-	-	1,759,611	1,759,611
Total	<u>\$ 7,280,544</u>	<u>\$ 2,117,596</u>	<u>\$ 1,759,611</u>	<u>\$ 11,157,751</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 9 FAIR VALUE MEASUREMENTS (CONTINUED)

Unrealized changes in fair value for investments and realized gains and losses from sales are separately stated on the statements of activities

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>2017</u>	<u>2016</u>
Balance - January 1	\$ 1,759,611	\$ 2,956,334
Additions to Perpetual Trusts and Other Funds	83,415	166,307
Change in Value of Perpetual Trust/Funds Recognized in the Change in Permanently Restricted Net Assets	182,014	(1,195,530)
Change in Value of Future Interest Gifts Recognized in the Change in Temporarily Restricted Net Assets	<u>-</u>	<u>(167,500)</u>
Balance - December 31	<u>\$ 2,025,040</u>	<u>\$ 1,759,611</u>

Following is a description of the valuation methodologies used for Level 3 assets measured at fair value:

Beneficial Interest in Perpetual Trusts and other Funds: Fair value for the beneficial interest in perpetual trusts and other funds are measured using the fair value of the assets held in the trust or fund reported by the trustee or foundation. In accordance with the terms of the perpetual trust and fund agreements, the trustee or foundation makes annual distributions equal to net realized income on trust and fund investments. The Organization considers the measurement of its beneficial interest in perpetual trusts and other funds to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust and fund assets reported by the trustee and foundation, the Organization will never receive those assets or have the ability to direct the trustee or foundation to redeem them.

Value of Future Interest Gift: Fair value for the value of future interest gift represents the estimated net present value of the Organization's interest in a nonperpetual trust held by a third party. The net present value of the asset was determined using investment returns consistent with the composition of the asset portfolio, single life expectancy from the Social Security Life Expectancy Tables, and a discount rate of 6%. On an annual basis, the Organization revalues the asset based on applicable mortality tables and discount rates. At December 31, 2017 and 2016, the value of future interest gift was \$83,415 and \$-0- respectively.

There have been no changes in the methodologies used during 2017 and 2016.

The preceding methods described may produce a fair value calculation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 10 RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Time Restricted	\$ 308,784	\$ 154,121
Capital Building Projects and Equipment	91,193	663,309
Programming	83,784	44,740
Other Miscellaneous	16,431	3,955
Endowment Funds Subject to a Time Restriction		
Under UPMIFA:		
With Purpose Restrictions - Scholarships	1,148,612	898,972
Total	<u>\$ 1,648,804</u>	<u>\$ 1,765,097</u>

Permanently restricted net assets held by True Friends Foundation are restricted to endowment investments and perpetual trusts, the income from which is expendable to support the following activities at December 31:

	<u>2017</u>	<u>2016</u>
General Operations	\$ 2,045,524	\$ 1,863,511
Memorial Scholarships	3,466,064	3,280,582
Total	<u>\$ 5,511,588</u>	<u>\$ 5,144,093</u>

NOTE 11 NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors are as follows:

	<u>2017</u>	<u>2016</u>
Time Restrictions Expired	\$ 114,121	\$ 341,374
Capital Building Projects and Equipment	642,664	447,434
Programming	31,368	16,288
Other Miscellaneous	727	10,646
Appropriation of Endowment Funds Subject to a Time Restriction Under UPMIFA:		
With Purpose Restrictions - Scholarships	132,936	124,414
Total	<u>\$ 921,816</u>	<u>\$ 940,156</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 12 ENDOWMENTS

The Organization's endowment consists of funds established for a variety of purposes. Its endowment is comprised of donor-restricted endowment funds, board-designated endowment funds, and perpetual trusts. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The board of directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (16,771)	\$ 1,148,612	\$ 5,511,588	\$ 6,643,429
Board-Designated Endowment Funds	4,183,018	-	-	4,183,018
Total Endowment Net Assets	\$ 4,166,247	\$ 1,148,612	\$ 5,511,588	\$ 10,826,447
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	\$ (43,512)	\$ 898,972	\$ 5,144,093	\$ 5,999,553
Board-Designated Endowment Funds	3,914,002	-	-	3,914,002
Total Endowment Net Assets	\$ 3,870,490	\$ 898,972	\$ 5,144,093	\$ 9,913,555

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 12 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended December 31, 2017 are as follows:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ 3,870,490	\$ 898,972	\$ 5,144,093	\$ 9,913,555
Investment Return:				
Investment Income	166,970	125,631	-	292,601
Investment Appreciation (Realized and Unrealized)	375,546	282,568	-	658,114
Change in Value of Perpetual Trusts	-	-	182,014	182,014
Total Investment Return	<u>542,516</u>	<u>408,199</u>	<u>182,014</u>	<u>1,132,729</u>
Contributions	401,386	10	185,481	586,877
Transfers into (out of) Endowments	25,631	(25,631)	-	-
Appropriation of Endowment Assets for Expenditure	<u>(673,776)</u>	<u>(132,938)</u>	<u>-</u>	<u>(806,714)</u>
Endowment Net Assets - End of Year	<u>\$ 4,166,247</u>	<u>\$ 1,148,612</u>	<u>\$ 5,511,588</u>	<u>\$ 10,826,447</u>

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - Beginning of Year	\$ 4,233,822	\$ 881,435	\$ 5,896,365	\$ 11,011,622
Investment Return:				
Investment Income	154,966	70,900	-	225,866
Investment Appreciation (Realized and Unrealized)	155,100	70,961	-	226,061
Change in Value of Perpetual Trusts	-	-	(1,195,530)	(1,195,530)
Total Investment Return	<u>310,066</u>	<u>141,861</u>	<u>(1,195,530)</u>	<u>(743,603)</u>
Contributions	63,727	90	443,258	507,075
Transfers into (out of) Endowments	-	-	-	-
Appropriation of Endowment Assets for Expenditure	<u>(737,125)</u>	<u>(124,414)</u>	<u>-</u>	<u>(861,539)</u>
Endowment Net Assets - End of Year	<u>\$ 3,870,490</u>	<u>\$ 898,972</u>	<u>\$ 5,144,093</u>	<u>\$ 9,913,555</u>

**TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 12 ENDOWMENTS (CONTINUED)

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$16,771 and \$43,512 as of December 31, 2017 and 2016, respectively. These deficiencies resulted from unfavorable market fluctuations in previous years and continued appropriation for certain programs that was deemed prudent by the board.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the CAPTRUST Moderate target asset allocation while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 5-7% annually. Actual returns in any given year may vary from this amount.

Endowment funds of \$1,941,625 and \$1,759,611 as of December 31, 2017 and 2016, respectively, are held in perpetual trusts, the investment of which is determined by the trustee rather than the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a minimum of 4.5% of its endowment fund's fair value at the end of the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to grow at an average of 4-5% annually.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 13 SERVICE FEES REVENUE

Service fees of the Organization consisted of the following for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Residential Camp	\$ 2,514,064	\$ 2,292,812
Ventures Travel	1,031,425	917,913
Education and Training Services	1,484,744	1,480,088
Respite and Family Services	349,821	337,587
Total	<u>\$ 5,380,054</u>	<u>\$ 5,028,400</u>

NOTE 14 DONATED SERVICES, MATERIALS, AND EQUIPMENT

The Organization receives significant amounts of donated services from a substantial number of unpaid volunteers who assist in the program services of the Organization. Such amounts have not been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied. Donated services, which enhance nonfinancial assets, materials, and equipment are reflected as contributions in the accompanying statements at their estimated values at date of receipt.

The Organization received the following donated services, materials and equipment meeting the criteria for recognition during 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Building and Improvements	\$ 90,300	\$ 38,640
Professional Services	48,261	46,761
Building Repair and Maintenance	5,791	5,946
Contract Services	827	1,050
Supplies and Printing	62	1,638
Vehicles and Equipment	36,213	20,228
Meals and Food	6,470	8,506
Total	<u>\$ 187,924</u>	<u>\$ 122,769</u>

NOTE 15 OPERATING LEASE

The Organization leases office space under a noncancelable operating lease. The lease term ends June 30, 2018. Monthly lease payments are \$937 and the Organization is responsible for 2.04% of the building's real estate tax and operating expenses.

The Organization leases equipment under noncancelable operating leases that require monthly payments of \$4,994 and expire at various times through October 2021.

TRUE FRIENDS
NOTES TO CONSOLIDATED STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 15 OPERATING LEASE (CONTINUED)

The future minimum rental payments due under these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 43,472
2019	47,864
2020	22,497
2021	22,497
2022	18,748
Total	<u>\$ 155,078</u>

For the years ended December 31, 2017 and 2016, lease expense for office space and equipment amounted to \$47,928 and \$47,838, respectively.

NOTE 16 RETIREMENT PLAN

The Organization has a defined contribution plan 403(b) (Plan) covering all employees who have completed one year of service and have attained the age of 21. The Organization's contribution is a discretionary amount which is determined each year by the Organization. The contributions made by the Organization for the years ended December 31, 2017 and 2016 were \$44,633 and \$36,733, respectively.

NOTE 17 CONCENTRATION

For the years ended December 31, 2017 and 2016, pledge receivables due from two and one donor were 26.2% and 39.7%, respectively, of the Organization's total promise to give receivable balance.

NOTE 18 SUBSEQUENT EVENT

In May 2018, True Friends entered into a purchase agreement for the sale of the Camp New Hope Property. The sale price of the property is \$575,000.

TRUE FRIENDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 222,006	\$ -	\$ -	\$ -	\$ 222,006
Accounts Receivable, Less Allowance for Doubtful Accounts of \$34,500	223,219	38,085	-	-	261,304
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$15,500	167,209	-	-	-	167,209
Prepaid Expenses and Other Current Assets	162,284	38,999	-	-	201,283
Due from Related Parties	43,755	98,645	41,494	(183,894)	-
Total Current Assets	<u>818,473</u>	<u>175,729</u>	<u>41,494</u>	<u>(183,894)</u>	<u>851,802</u>
PROPERTY AND EQUIPMENT					
Less: Accumulated Depreciation of \$6,232,537	10,965,354	-	-	-	10,965,354
OTHER ASSETS					
Long-Term Investments	-	-	10,225,612	-	10,225,612
Cash Restricted for Purchase of Buildings and Equipment	91,193	-	-	-	91,193
Long-Term Promises to Give, Net of Current Portion	138,112	-	-	-	138,112
Beneficial Interests in Perpetual Trusts	2,025,040	-	-	-	2,025,040
Cash Value of Life Insurance	-	-	-	-	-
Investments in LLC	(62,067)	-	-	62,067	-
Total Other Assets	<u>2,192,278</u>	<u>-</u>	<u>10,225,612</u>	<u>62,067</u>	<u>12,479,957</u>
Total Assets	<u>\$ 13,976,105</u>	<u>\$ 175,729</u>	<u>\$ 10,267,106</u>	<u>\$ (121,827)</u>	<u>\$ 24,297,113</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	\$ 96,967	\$ -	\$ -	\$ -	\$ 96,967
Line of Credit	150,000	-	-	-	150,000
Accounts Payable	202,301	-	-	-	202,301
Deferred Revenue	155,632	223,627	28,370	-	407,629
Accrued Expenses	302,310	14,169	-	-	316,479
Due to Related Parties	116,994	-	66,900	(183,894)	-
Total Current Liabilities	<u>1,024,204</u>	<u>237,796</u>	<u>95,270</u>	<u>(183,894)</u>	<u>1,173,376</u>
LONG-TERM DEBT , Net of Current Portion	<u>1,646,489</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,646,489</u>
Total Liabilities	<u>2,670,693</u>	<u>237,796</u>	<u>95,270</u>	<u>(183,894)</u>	<u>2,819,865</u>
NET ASSETS					
Unrestricted:					
Investment in Land, Building, and Equipment	10,851,679	-	-	-	10,851,679
Designated by the Board for Endowment	-	-	4,183,018	-	4,183,018
Undesignated	(2,091,984)	-	1,374,143	-	(717,841)
Total Unrestricted	<u>8,759,695</u>	<u>-</u>	<u>5,557,161</u>	<u>-</u>	<u>14,316,856</u>
Temporarily Restricted:					
Time and Purpose	500,192	-	1,148,612	-	1,648,804
Permanently Restricted	2,045,525	-	3,466,063	-	5,511,588
Total Net Assets	<u>11,305,412</u>	<u>-</u>	<u>10,171,836</u>	<u>-</u>	<u>21,477,248</u>
MEMBERS EQUITY					
	<u>-</u>	<u>(62,067)</u>	<u>-</u>	<u>62,067</u>	<u>-</u>
Total Net Assets and Members Equity	<u>11,305,412</u>	<u>(62,067)</u>	<u>10,171,836</u>	<u>62,067</u>	<u>21,477,248</u>
Total Liabilities and Net Assets	<u>\$ 13,976,105</u>	<u>\$ 175,729</u>	<u>\$ 10,267,106</u>	<u>\$ (121,827)</u>	<u>\$ 24,297,113</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>True Friends</u>	<u>Ventures Travel</u>	<u>True Friends Foundation</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 889,797	\$ -	\$ -	\$ -	\$ 889,797
Accounts Receivable, Less Allowance for Doubtful Accounts of \$41,500	157,978	67,870	-	-	225,848
Current Portion of Promises to Give, Less Allowance for Doubtful Accounts of \$12,100	109,360	-	-	-	109,360
Prepaid Expenses and Other Current Assets	137,200	29,747	-	-	166,947
Due from Related Parties	99,159	22,138	103,116	(224,413)	-
Total Current Assets	<u>1,393,494</u>	<u>119,755</u>	<u>103,116</u>	<u>(224,413)</u>	<u>1,391,952</u>
PROPERTY AND EQUIPMENT					
Less Accumulated Depreciation of \$5,881,732	10,064,408	-	-	-	10,064,408
OTHER ASSETS					
Long-Term Investments	-	-	9,661,016	-	9,661,016
Cash Restricted for Purchase of Buildings and Equipment	663,309	-	-	-	663,309
Long-Term Promises to Give, Net of Current Portion	41,710	-	-	-	41,710
Beneficial Interests in Perpetual Trusts	1,759,611	-	-	-	1,759,611
Cash Value of Life Insurance	37,904	-	-	-	37,904
Investments in LLC	(186,391)	-	-	186,391	-
Total Other Assets	<u>2,316,143</u>	<u>-</u>	<u>9,661,016</u>	<u>186,391</u>	<u>12,163,550</u>
Total Assets	<u>\$ 13,774,045</u>	<u>\$ 119,755</u>	<u>\$ 9,764,132</u>	<u>\$ (38,022)</u>	<u>\$ 23,619,910</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Current Portion of Long-Term Debt	\$ 72,436	\$ -	\$ -	\$ -	\$ 72,436
Accounts Payable	336,637	-	-	-	336,637
Deferred Revenue	127,829	291,499	31,577	-	450,905
Accrued Expenses	245,820	14,647	-	-	260,467
Due to Related Parties	103,116	-	121,297	(224,413)	-
Total Current Liabilities	<u>885,838</u>	<u>306,146</u>	<u>152,874</u>	<u>(224,413)</u>	<u>1,120,445</u>
LONG-TERM DEBT, Net of Current Portion	<u>1,643,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,643,704</u>
Total Liabilities	<u>2,529,542</u>	<u>306,146</u>	<u>152,874</u>	<u>(224,413)</u>	<u>2,764,149</u>
NET ASSETS					
Unrestricted:					
Investment in Land, Building, and Equipment	10,043,179	-	-	-	10,043,179
Designated by the Board for Endowment	-	-	3,914,002	-	3,914,002
Undesignated	(1,528,313)	-	1,517,703	-	(10,610)
Total Unrestricted	<u>8,514,866</u>	<u>-</u>	<u>5,431,705</u>	<u>-</u>	<u>13,946,571</u>
Temporarily Restricted:					
Time and Purpose	866,126	-	898,971	-	1,765,097
Permanently Restricted	1,863,511	-	3,280,582	-	5,144,093
Total Net Assets	<u>11,244,503</u>	<u>-</u>	<u>9,611,258</u>	<u>-</u>	<u>20,855,761</u>
MEMBERS EQUITY					
	<u>-</u>	<u>(186,391)</u>	<u>-</u>	<u>186,391</u>	<u>-</u>
Total Net Assets and Members Equity	<u>11,244,503</u>	<u>(186,391)</u>	<u>9,611,258</u>	<u>186,391</u>	<u>20,855,761</u>
Total Liabilities and Net Assets	<u>\$ 13,774,045</u>	<u>\$ 119,755</u>	<u>\$ 9,764,132</u>	<u>\$ (38,022)</u>	<u>\$ 23,619,910</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
PUBLIC SUPPORT					
Contributions	\$ 2,504,739	\$ -	\$ 503,462	\$ (951,507)	\$ 2,056,694
In-Kind Contributions	187,924	-	-	-	187,924
Fundraising Events	552,408	-	-	-	552,408
Direct Costs of Fundraising Events	(65,583)	-	-	-	(65,583)
Total Public Support	<u>3,179,488</u>	<u>-</u>	<u>503,462</u>	<u>(951,507)</u>	<u>2,731,443</u>
REVENUE					
Service Fees	4,348,629	1,031,425	-	-	5,380,054
Canteen and Gift Shop	67,341	-	-	-	67,341
Investment Income (Loss)	191	-	1,028,103	-	1,028,294
Change in Value of Trusts	182,014	-	-	-	182,014
Miscellaneous	56,627	-	-	-	56,627
Gains on Disposal of Property and Equipment	45,062	-	-	-	45,062
Earnings in LLC	124,324	-	-	(124,324)	-
Unrealized Gain (Loss) on investment	-	-	-	-	-
Total Revenue	<u>4,824,188</u>	<u>1,031,425</u>	<u>1,028,103</u>	<u>(124,324)</u>	<u>6,759,392</u>
Total Support and Revenue	8,003,676	1,031,425	1,531,565	(1,075,831)	9,490,835
EXPENSES					
Program Services:					
Residential Camp	3,336,343	-	912,799	(951,507)	3,297,635
Education and Training Services	1,505,871	-	-	-	1,505,871
Ventures Travel	283,067	907,101	-	-	1,190,168
Respite and Family Services	823,889	-	-	-	823,889
TRUE Strides	692,121	-	-	-	692,121
Total Program Services	<u>6,641,291</u>	<u>907,101</u>	<u>912,799</u>	<u>(951,507)</u>	<u>7,509,684</u>
Support Services:					
Fundraising	1,165,903	-	58,188	-	1,224,091
Management and General	135,573	-	-	-	135,573
Total Supporting Services	<u>1,301,476</u>	<u>-</u>	<u>58,188</u>	<u>-</u>	<u>1,359,664</u>
Total Expenses	<u>7,942,767</u>	<u>907,101</u>	<u>970,987</u>	<u>(951,507)</u>	<u>8,869,348</u>
CHANGE IN NET ASSETS	60,909	124,324	560,578	(124,324)	621,487
Net Assets - Beginning of Year	11,244,503	(186,391)	9,611,258	186,391	20,855,761
Transfers	-	-	-	-	-
NET ASSETS - END OF YEAR	<u>\$ 11,305,412</u>	<u>\$ (62,067)</u>	<u>\$ 10,171,836</u>	<u>\$ 62,067</u>	<u>\$ 21,477,248</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
PUBLIC SUPPORT					
Contributions	\$ 3,252,481	\$ -	\$ 340,769	\$ (883,265)	\$ 2,709,985
In-Kind Contributions	122,769	-	-	-	122,769
Fundraising Events	259,341	-	-	-	259,341
Direct Costs of Fundraising Events	(62,165)	-	-	-	(62,165)
Total Public Support	<u>3,572,426</u>	<u>-</u>	<u>340,769</u>	<u>(883,265)</u>	<u>3,029,930</u>
REVENUE					
Service Fees	4,110,487	917,913	-	-	5,028,400
Canteen and Gift Shop	57,019	-	-	-	57,019
Investment Income (Loss)	1,955	-	502,647	(10,000)	494,602
Change in Value of Trusts	(1,195,530)	-	-	-	(1,195,530)
Miscellaneous	427,968	-	-	(400,000)	27,968
Gains on Disposal of Property and Equipment	317,477	-	-	-	317,477
Earnings in LLC	62,731	-	-	(62,731)	-
Total Revenue	<u>3,782,107</u>	<u>917,913</u>	<u>502,647</u>	<u>(472,731)</u>	<u>4,729,936</u>
Total Support and Revenue	7,354,533	917,913	843,416	(1,355,996)	7,759,866
EXPENSES					
Program Services:					
Residential Camp	3,731,458	-	883,265	(893,265)	3,721,458
Education and Training Services	1,258,429	-	-	-	1,258,429
Ventures Travel	350,628	855,182	-	-	1,205,810
Respite and Family Services	860,803	-	-	-	860,803
TRUE Strides	483,976	-	-	-	483,976
Total Program Services	<u>6,685,294</u>	<u>855,182</u>	<u>883,265</u>	<u>(893,265)</u>	<u>7,530,476</u>
Support Services:					
Fundraising	729,130	-	57,628	-	786,758
Management and General	329,922	-	400,000	(400,000)	329,922
Total Supporting Services	<u>1,059,052</u>	<u>-</u>	<u>457,628</u>	<u>(400,000)</u>	<u>1,116,680</u>
Total Expenses	<u>7,744,346</u>	<u>855,182</u>	<u>1,340,893</u>	<u>(1,293,265)</u>	<u>8,647,156</u>
CHANGE IN NET ASSETS	(389,813)	62,731	(497,477)	(62,731)	(887,290)
Net Assets - Beginning of Year	11,751,509	282,410	9,991,542	(282,410)	21,743,051
Transfers	(117,193)	(531,532)	117,193	531,532	-
NET ASSETS - END OF YEAR	<u>\$ 11,244,503</u>	<u>\$ (186,391)</u>	<u>\$ 9,611,258</u>	<u>\$ 186,391</u>	<u>\$ 20,855,761</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ 60,909	\$ 124,324	\$ 560,578	\$ (124,324)	\$ 621,487
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:					
Depreciation	471,857	-	-	-	471,857
Amortization of Discount on Unconditional Promises to Give Receivable	(6,013)	-	-	-	(6,013)
Gain on Disposal of Assets	(45,062)	-	-	-	(45,062)
Realized and Unrealized Gain on Investments	-	-	(711,692)	-	(711,692)
Change in Value of Trusts	(182,014)	-	-	-	(182,014)
Contributions of Buildings and Equipment	(36,213)	-	-	-	(36,213)
Contributions Restricted for Long-Term Purposes	(484,941)	-	-	-	(484,941)
(Increase) Decrease in Operating Assets:					
Accounts Receivable	(65,241)	29,785	-	-	(35,456)
Promises to Give	(162,387)	-	-	-	(162,387)
Prepaid Expenses and Other Current Assets	(25,084)	(9,252)	-	-	(34,336)
Cash Value of Life Insurance	37,904	-	-	-	37,904
Due from Related Party	55,404	(76,507)	61,622	(40,519)	-
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(134,336)	-	-	-	(134,336)
Deferred Revenue	27,803	(67,872)	(3,207)	-	(43,276)
Accrued Expenses	56,490	(478)	-	-	56,012
Due to Related Party	13,878	-	(54,397)	40,519	-
Net Cash Used by Operating Activities	<u>(417,046)</u>	<u>-</u>	<u>(147,096)</u>	<u>(124,324)</u>	<u>(688,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Land, Building, and Equipment	(1,241,451)	-	-	-	(1,241,451)
Proceeds from Sale of Land, Building, and Equipment	56,919	-	-	-	56,919
Proceeds from Sale of Investments	-	-	3,251,370	-	3,251,370
Purchase of Investments	-	-	(3,104,274)	-	(3,104,274)
Change in Investment in LLC	(124,324)	-	-	124,324	-
Net Change in Cash Restricted for Purchase of Buildings and Equipment	<u>572,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,116</u>
Net Cash Provided (Used) by Investing Activities	<u>(736,740)</u>	<u>-</u>	<u>147,096</u>	<u>124,324</u>	<u>(465,320)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of Long-Term Debt	(79,680)	-	-	-	(79,680)
Proceeds from Line of Credit	150,000	-	-	-	150,000
Collection of Contributions Restricted for Capital Campaign and Buildings	321,554	-	-	-	321,554
Collection of Contributions Restricted for Endowment	94,121	-	-	-	94,121
Net Cash Provided by Financing Activities	<u>485,995</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>485,995</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(667,791)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(667,791)</u>
Cash and Cash Equivalents - Beginning of Year	<u>889,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>889,797</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 222,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,006</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest Paid	\$ 48,992	\$ -	\$ -	\$ -	\$ 48,992
Land, Building, and Equipment Purchases with Long-Term Debt	106,996	-	-	-	106,996
Total	<u>\$ 155,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 155,988</u>

TRUE FRIENDS
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT)

	True Friends	Ventures Travel	True Friends Foundation	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in Net Assets	\$ (507,006)	\$ (468,801)	\$ (380,284)	\$ 468,801	\$ (887,290)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:					
Depreciation	403,640	-	-	-	403,640
Amortization of Discount on Unconditional Promises to Give Receivable	14,950	-	-	-	14,950
Gain on Disposal of Assets	(317,477)	-	-	-	(317,477)
Realized and Unrealized Gain on Investments	-	-	(246,430)	-	(246,430)
Change in Value of Trusts	1,195,530	-	-	-	1,195,530
Contributions of Buildings and Equipment	(20,228)	-	-	-	(20,228)
Contributions Restricted for Long-Term Purposes	(1,243,616)	-	-	-	(1,243,616)
(Increase) Decrease in Operating Assets:					
Accounts Receivable	186,163	21,587	-	-	207,750
Promises to Give	86,701	-	3,400	-	90,101
Prepaid Expenses and Other Current Assets	(48,365)	25,441	-	-	(22,924)
Cash Value of Life Insurance	932	-	-	-	932
Due from Related Party	(99,159)	353,772	107,610	(362,223)	-
Increase (Decrease) in Operating Liabilities:					
Accounts Payable	(48,395)	-	-	-	(48,395)
Deferred Revenue	(90,917)	67,087	(2,245)	-	(26,075)
Accrued Expenses	(2,105)	914	-	-	(1,191)
Due to Related Party	(483,520)	-	121,297	362,223	-
Net Cash Provided (Used) by Operating Activities	<u>(972,872)</u>	<u>-</u>	<u>(396,652)</u>	<u>468,801</u>	<u>(900,723)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of Land, Building, and Equipment	(1,118,951)	-	-	-	(1,118,951)
Proceeds from Sale of Land, Building, and Equipment	502,106	-	-	-	502,106
Proceed from Future Interest Gifts	167,500	-	-	-	167,500
Proceeds from Sale of Investments	-	-	3,301,705	-	3,301,705
Purchase of Investments	-	-	(2,905,053)	-	(2,905,053)
Change in Investment in LLC	468,801	-	-	(468,801)	-
Net Change in Cash Restricted for Purchase of Buildings and Equipment	<u>(301,538)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(301,538)</u>
Net Cash Provided (Used) by Investing Activities	<u>(282,082)</u>	<u>-</u>	<u>396,652</u>	<u>(468,801)</u>	<u>(354,231)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Long-Term Debt	1,723,000	-	-	-	1,723,000
Payment of Long-Term Debt	(738,944)	-	-	-	(738,944)
Payment of Line of Credit	(225,000)	-	-	-	(225,000)
Collection of Contributions Restricted for Capital Campaign and Buildings	1,007,708	-	-	-	1,007,708
Collection of Contributions Restricted for Endowment	173,874	-	-	-	173,874
Net Cash Provided by Financing Activities	<u>1,940,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,940,638</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	685,684	-	-	-	685,684
Cash and Cash Equivalents - Beginning of Year	<u>204,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,113</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 889,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 889,797</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Interest Paid	\$ 31,794	\$ -	\$ -	\$ -	\$ 31,794
Land, Building, and Equipment Purchases Included in Accounts Payable	163,271	-	-	-	163,271
Total	<u>\$ 195,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,065</u>